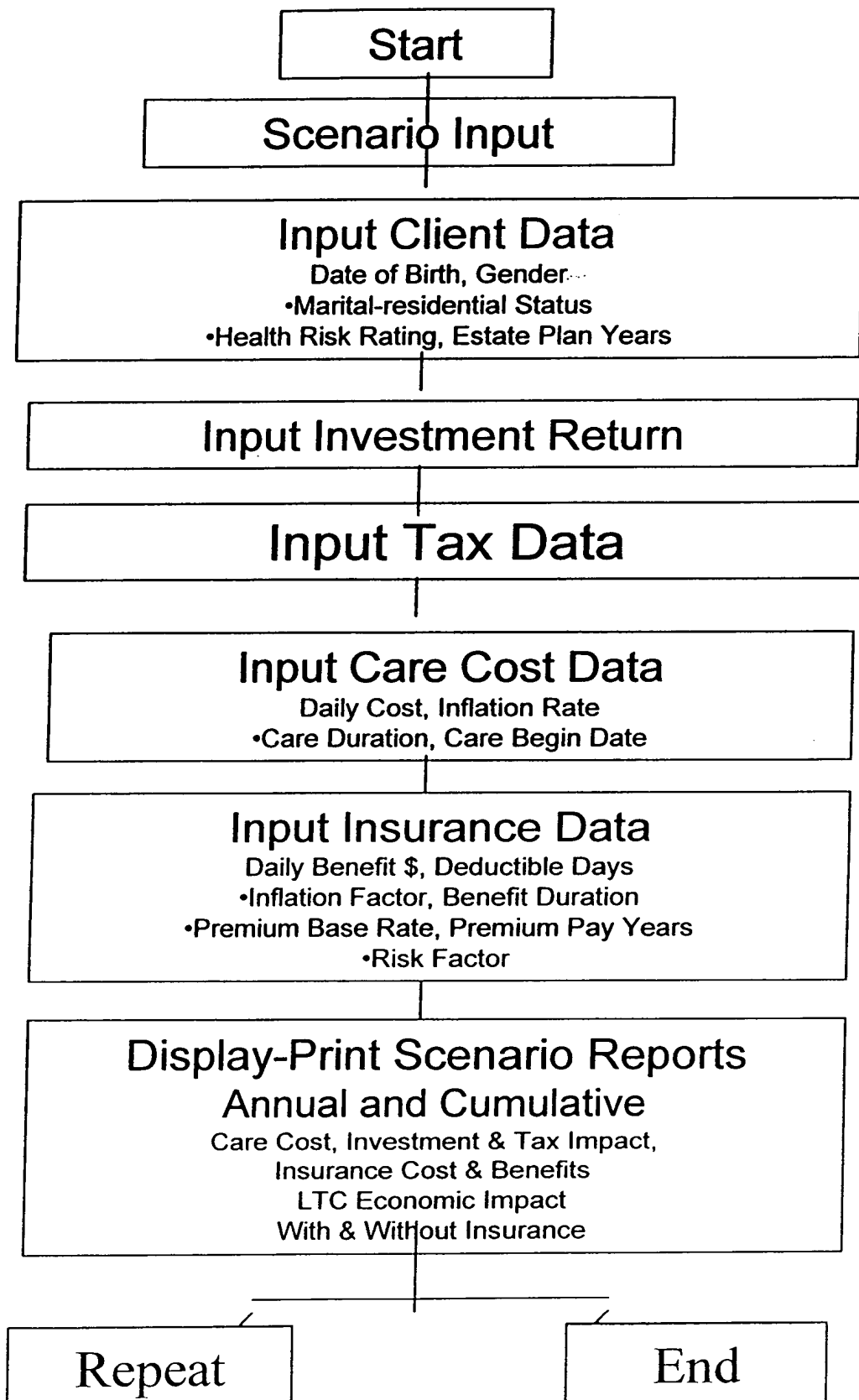


Fig. 1



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Figure 2

20

Client Data - Insured #1

SSN

000-00-0001

Health

Preferred

Name

Couples

Charles

Q

Middle

Birthdate

04/04/1941

Age

59

Phone

(111) 111-1111

Fax

(111) 111-1112

Address

1015 Elm Street

Kirkwood, MO 63122

22

Client Data - Insured #2

SSN

000-00-0011

Health

Preferred

Name

Couples

Cathy

Q

Middle

Birthdate

01/01/1943

Age

57

eMail

SSSample@net.com

24

Care Data

One spouse will need care for _____ years before passing away

5

The need of care will start at the beginning of _____ policy year

16

Care will be for _____

☒ Insured #1 ☐ Insured #2

Surviving spouse will live for the entire plan period of _____ years

30

Current cost of care is \$ _____ per day

180

☐ % compound inflation increases the cost annually

5

26

Insurance Data

Insurance benefits start after a _____ day deductible period

90

Daily insurance benefit during the first policy year is \$ _____

180

Maximum number of years of benefits is _____

Unlimited

Insurance benefits increase using _____ inflation

Compound

Annual insurance premium - Insured #1

\$2,491

Annual insurance premium - Insured #2

\$2,133

28

Tax & Investment Data

Capital gains or other tax rate

20

Investment return assumption

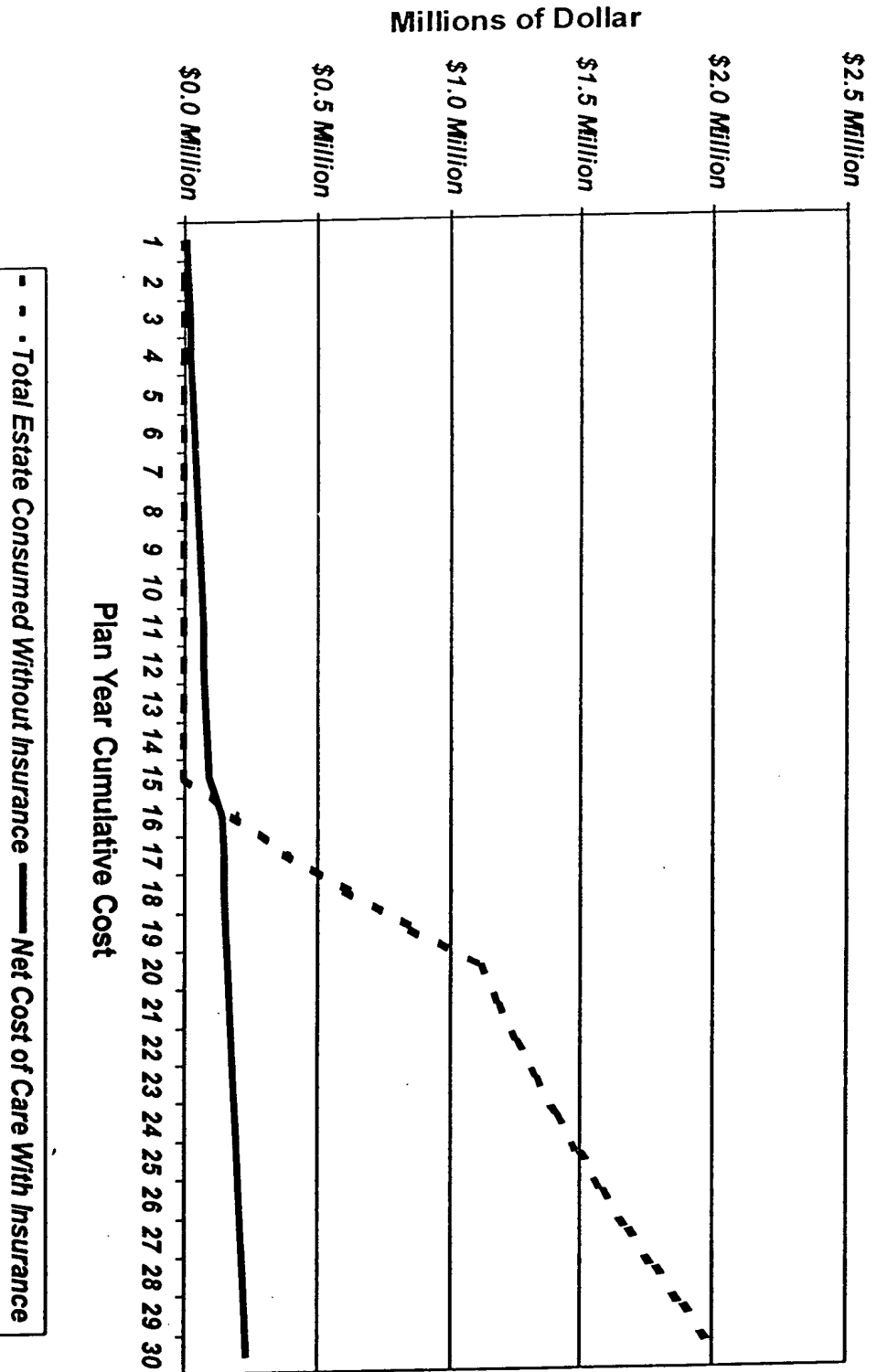
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Consultant

Tom Trump, CLU

Version 1103

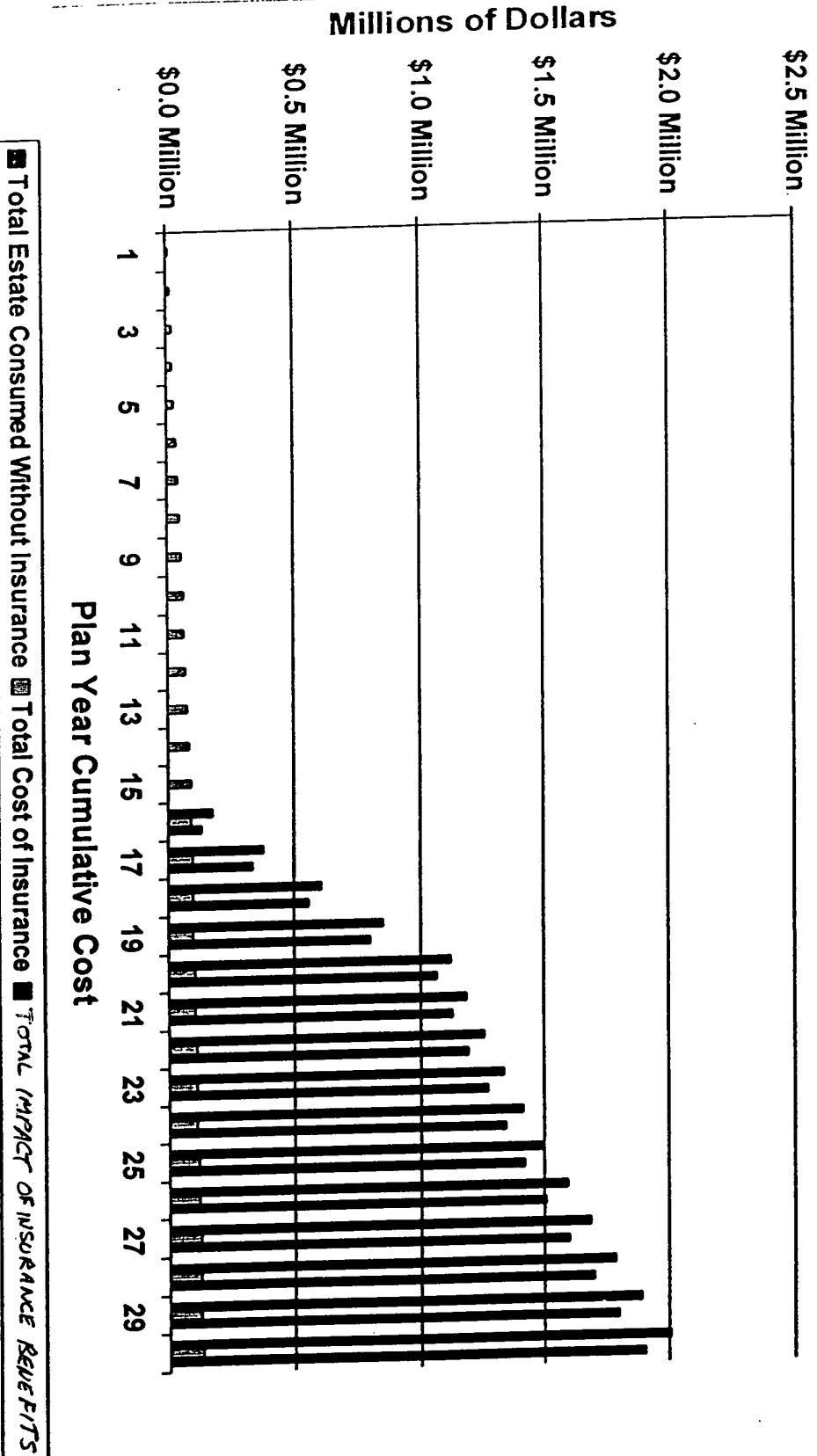
Economic Impact of Long Term Care



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FIGURE 3

Economic Impact of Long Term Care



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Figure 5

Economic Impact of Long Term Care

Summary Report

Charles Q Couples & Cathy Q Couples

Scenario A

Based on the assumptions provided by you in this scenario, the following illustrates the economic impact on your estate for one person to receive 5 years paid 24 hour home or facility care. The insurance coverage selected in this scenario would pay claims for an unlimited number of years.

Other important assumptions have been used in the planning model. These include the recognition that investment assets are often sold to pay the cost of care and that income taxes will be imposed on the sale of those appreciated assets. The impact on investment growth is also included. When income or invested capital is used to pay for uninsured expenses those funds are no longer available for estate investment growth. You estimated a 6% investment return and a 20% capital gains tax in this scenario.

The planning model forecasts estate erosion with and without insurance. We expect you are insurable now but that may not always be the case. The projected erosion is based on the assumption one person will need 5 years of care during year 16 through year 20 of the 30 year planning period.

The attached report illustrates the detailed calculations used to arrive at the following two key numbers. The first number projects \$2.0 million dollar estate value reduction by the end of the plan period without insurance. The second key number shows that estate erosion is reduced to \$0.2 million dollars when adjusted for the insurance benefits included in this scenario.

The intent of the estate impact model is to provide you better information on which to make planning decisions. Adjust assumptions and insurance coverage until you are comfortable with the degree of estate erosion projected in a final planning scenario.

Bottom Line

Individuals who have adequate assets to personally pay all potential long term costs don't need the insurance, but it may be a sound economic solution!

None of the material in this presentation should be construed as either advice or interpretation of legal or tax code. Please consult with those advisors to determine how these concepts may apply in your particular situation.

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FIGURE 6

Economic Impact - Cost of Care for Five Years

Note: Each individual's situation is different. Actual numbers will vary depending on rates on return, cost of care, tax rates and basis of assets, etc.

Assumptions

- Five Years LTC @ \$180 current cost
- 5% Compound Inflation - LTC Costs
- Surviving Partner Lives 10 additional years.
- 6% Return on Investments, 20% Capital Gains Tax Rate
 - Assumes zero basis on liquidated assets
 - Traditional IRA distributions are fully taxable.

Total Reduction in Estate Value Due to LTC Costs: \$2.0 Million

Annual Cost of Care

<u>Plan Year</u>	<u>Care Year</u>	<u>Cost of Care</u>	<u>Capital Gains Taxes</u>	<u>Investment Opportunity Loss @ 6%</u>	<u>Total Annual Cost</u>
16	1	\$136,585	\$34,146	\$10,244	\$180,976
17	2	\$143,415	\$35,854	\$21,615	\$200,883
18	3	\$150,585	\$37,646	\$34,205	\$222,437
19	4	\$158,115	\$39,529	\$48,116	\$245,760
20	5	\$166,020	\$41,505	\$63,455	\$270,980

Cumulative Cost of Care

<u>Plan Year</u>	<u>Age</u>	<u>Current Year Total Cost</u>	<u>Cumulative Dollars Consumed</u>
1-15	59 / 57 74 / 72		No Paid LTC Required
Care Begins			
16	75 / 73	\$180,976	\$180,976
17	76 / 74	\$200,883	\$381,859
18	77 / 75	\$222,437	\$604,296
19	78 / 76	\$245,760	\$850,056
20	79 / 77	\$270,980	\$1,121,036
Survivor			
21	/ 78	\$67,262	\$1,188,299
22	/ 79	\$71,298	\$1,259,597
23	/ 80	\$75,576	\$1,335,172
24	/ 81	\$80,110	\$1,415,283
25	/ 82	\$84,917	\$1,500,200
26	/ 83	\$90,012	\$1,590,212
27	/ 84	\$95,413	\$1,685,624
28	/ 85	\$101,137	\$1,786,762
29	/ 86	\$107,206	\$1,893,968
30	/ 87	\$113,638	\$2,007,606

Total Reduction in Estate Value Due to LTC Costs \$2.0 Million

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FIGURE 7

Economic Impact - Insurance Benefits and Premium Cost

Note: Each individual's situation is different. Actual numbers will vary depending on rates on return, cost of care, tax rates and basis of assets, etc.

Policy Benefit Design:

- Unlimited years of benefits
 - Daily benefit 1st year \$180 (benefit doubles every 14.4 years)
 - 5% Compound Inflation
 - 90 day Elimination or Waiting Period
 - Waiver of Premium (when benefits start)
 - 100% of the dollars available for home care, assisted living, or nursing home facility.
 - Charles Couples qualifies for Preferred rate.
 - Cathy Couples qualifies for Preferred rate.
- (Assumption: Actual rating determined by selected insurance companies.)

Policy Claims Payments: (Payments start after 90 day elimination period.)

<u>Policy Year</u>	<u>Benefit Days</u>	<u>Daily Benefit</u>	<u>Annual Benefit</u>
16	275	\$374	\$102,907
17	365	\$393	\$143,415
18	365	\$413	\$150,585
19	365	\$433	\$158,115
20	365	\$455	\$166,020
Total Payments from Insurance Company			\$721,042
30 Year Cumulative Benefit			\$1,906,714
Potential dollars if lifetime benefit option			Unlimited

Projected Premium Expense:

Annual Premium \$2491/\$2133	\$69,360
Both Insured, 15 years x \$4624	\$31,995
One Insured, 15 years x \$2133	
Premium is waived during benefit period.	\$101,355
Total Premium Expense	\$134,295
Total Cumulative Cost of Insurance	

* See Planning Model Assumptions and Attachments A, B, and C.

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LTC Economic Impact Planning Model

```

Sub MakeTable(n)
Dim ct As Byte, d As Database, r As Recordset, c As Recordset
Dim vB As Currency, CumPrem As Currency, CumCost As Currency, CumBen As Currency
Dim PrevG As Currency, PrevQ As Currency, AnnBen As Currency, CurInf As Double
Application.SetOption "Confirm Action Queries", False
DoCmd.RunSQL "Delete From tblTable"
Set d = CurrentDb
If Len(n) = 9 Then
    Set c = d.OpenRecordset("Select * From tblCustomer Where aSSN=" + n + "")
Else
    Set c = d.OpenRecordset("Select * From tblCustomer Where (aSSN=" + Left(n, 9) + ") and (Scenario=" + Right(n, 1) + ")")
End If
If c.EOF Then Exit Sub
vB = 0
CumCost = 0
CumPrem = 0
CumBen = 0
PrevG = 0
PrevQ = 0
Set r = d.OpenRecordset("tblTable")
For ct = 1 To c!SurviveYrs
    If ct = c!CareStart Then vB = (365 * c!CareCost) * ((1 + (c!Inflation / 100)) ^ (c!CareStart - 1))
    r.AddNew
    r!a = ct
    r!b = vB
    r!c = r!b / (1 - (c!TaxRate / 100)) - vB
    r!d = r!b + r!c
    r!e = (r!d + PrevG) * (c!InvReturn / 100)
    r!f = r!d + r!e
    CumCost = CumCost + r!f
    r!g = CumCost
    If ct < c!CareStart Then
        r!h = c!aAnnPrem + c!bAnnPrem
    Else
        r!h = IIf(c!CareForMale, c!bAnnPrem, c!aAnnPrem)
    End If
    r!i = r!h / (1 - (c!TaxRate / 100)) - r!h
    CumPrem = CumPrem + r!h + r!i
    r!j = CumPrem
    r!k = r!j * (c!InvReturn / 100)
    r!l = r!j + r!k
    Select Case c!BenIncrease
        Case 0: CurInf = 1
        Case 1: CurInf = 1 + (c!BenIncreaseFactor / 100) * (ct - 1)
        Case 2: CurInf = (1 + (c!BenIncreaseFactor / 100)) ^ (ct - 1)
    End Select
    AnnBen = IIf(ct = c!CareStart, 365 - DedDays(c!DedPeriod), IIf(ct > c!CareStart And ct <= c!CareEnd, 365, 0)) * c!DailyBen * CurInf
    If (ct >= c!CareStart) And (ct <= c!CareEnd) And (ct < c!CareStart + c!BenYrs) Then
        r!m = AnnBen
        CumBen = CumBen + r!m
        r!n = CumBen
        r!o = CumBen / (1 - (c!TaxRate / 100)) - CumBen
    ElseIf (ct >= c!CareStart) And (ct <= c!CareEnd) And (ct = c!CareStart + c!BenYrs) Then

```

APPENDIX - A

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LTC Economic Impact Planning Model

```
r!m = DedDays(c!DedPeriod) / 365 * AnnBen
CumBen = CumBen + r!m
r!n = CumBen
r!o = CumBen / (1 - (c!TaxRate / 100)) - CumBen
Else
  r!m = 0
End If
r!p = (r!m / (1 - (c!TaxRate / 100)) + PrevQ) * (c!InvReturn / 100)
PrevQ = IIf(ct <= c!CareEnd, PrevQ + (r!m / (1 - (c!TaxRate / 100))) + r!p, PrevQ * (1 + c!InvReturn /
100))
r!q = PrevQ
r!r = r!g - r!q + r!l
PrevG = r!g
r.Update
vB = IIf(ct < c!CareEnd, vB * (1 + (c!Inflation / 100)), 0)
Next
End Sub
```

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APPENDIX - A